

# Changing perceptions of a good book price: comparing the net price system of the 1900s to contemporary e-book pricing debates

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## Abstract

This paper explores how the valuation of books as cultural commodities change through examination of two historical periods of book pricing and publisher-vendor-library relations. The paper compares current e-book pricing debates, and recent shifts in attitudes about e-book pricing, with pricing debates and changes in the conceptualization of book prices from the “net book” pricing period of the early 1900s. The paper describes tensions between stakeholders that led to the net price system, reactions to this new arrangement, and its impact on book buying practices. The paper then compares the similarities between the net price system conflict and current tensions in e-book pricing and purchasing practices. Finally, we use the concept of cultural commodity to explain how, in both periods, changes in pricing led to changes in how libraries evaluated books for purchase and conceptualizations of what counted as a good price for a book.

**Keywords:** Booktrade; libraries; the net price system; cultural commodity; price

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## 1. Introduction

Debates between publishers and libraries about book pricing have existed over a century and will continue in the future. In recent years with the introduction of circulated e-books in libraries, conceptualizations of what counts as a good price for books has become very fluid as publishers have developed a variety of e-book pricing models for libraries. New e-book pricing models such as the 26-loan cap from HarperCollins and the radical increase in prices by Random House have created an uproar in library-publisher relations.

This is not the first time in history that publishers have established special pricing models for library orders to protect their consumer sales. This paper will examine publishers' establishment of the net price system in the early 1900s in order to raise book prices including prices paid specifically by libraries.

The data come from review of articles discussing book pricing in two major trade publications: Publishers Weekly (PW), and Library Journal (LJ). we reviewed relevant articles from two periods: 1900-1915 and 1991-2014. Our analysis was inductive.

## 2. Establishment of the net price system

In the late nineteenth century, the number of bookstores in the United States decreased significantly, due to the competition from other types of low-price book distributors, publishers' direct sales to consumers, and the emergence of circulating libraries (Palmer, 1901). Publishers also suffered, due to the fact that these new outlets put downward pressure on book prices and because the reduced numbers of bookstores led to reduced sales (Roe, 1902).

In 1901, the American Publishers' Association (APA) and the American Booksellers' Association (ABA), collaborated to form the net price system to keep the booktrade healthy by regulating book prices (“The Publishers”, 1901). The new system included the following regulations: 1) All copyrighted books first published after May 1, 1901 were declared to be “net books,” except for school books and fiction books. 2) Publishers set the prices for net books within their first year after publication. 3) Net prices should be lower than previous prices. 4) Publishers should only provide books to booksellers that complied with the

net prices. One exception was library copies: libraries would be granted a maximum discount of ten percent off the net price ("The Publishers", 1901).

### 3. Libraries and the net price system

Librarians first showed general support for the net price system, seeing it as a way to restore the booktrade ("Net prices", 1902). However, shortly after the system went into effect, articles appeared in which librarians complained that net prices were not as low as expected.

Many librarians justified the demand for a larger discount by arguing that libraries were large customers with good payment histories, and that publishers and booksellers should therefore grant larger discounts to libraries to keep the libraries buying books (Dewey, 1902). Another major justification for price relief was that libraries were educational institutions supported by public funds and thus deserving of a larger discount (Bowerman, 1902).

### 4. Responses from publishers and booksellers to librarians' request

The APA denied libraries' requests for lower net prices or increased library discount. APA claimed it had no control over the net price as it was set by individual publishers (Scribner, 1902). Other individual publishers justified higher net prices by arguing that the costs of publishing were increasing and that increased net prices reflected these increased costs. ("Book price", 1904).

Further, the ABA opposed libraries' request for larger discount and even urged the APA to remove the initial library discount. The ABA claimed that any discount would require booksellers take a loss in sales to libraries (Roe, 1902). Booksellers also argued that libraries' role as custodians of public funding could not justify their request for larger discount because booksellers had already supported library through taxes (Roe, 1902). Finally, booksellers pointed to the situation in Britain and Germany to justify removal of the library discount ("The American", 1902).

### 5. Shift in conceptualization of good book and good price

Net pricing influenced library bookbuying practices through the recommendations of American Library Association (ALA) committees developed to help cope with net pricing. The first committee was introduced during the 1901 ALA Waukesha annual meeting, and it took great efforts to negotiate better net pricing arrangements with the APA ("Report", 1902).

The ALA to discharge this committee in 1903, and appointed a new committee whose mission was to educate libraries about how to manage purchasing in the net pricing environment ("Relations", 1903). The new committee issued bulletins providing advice on measures, including: 1) purchase fewer net books; 2) purchase older books; 3) purchase second-hand books; 4) import books; 5) purchase from remainder list; and 6) purchase from auction catalogs.

These suggestions represent a shift in libraries' conceptualization of a good book and a good price. Before the net price system, good books were new books ("editorial", 1901). The Committee encouraged skepticism about purchasing of new books ("reading", 1905). Another common strategy was to delay the purchasing of net books if possible (Bowerman, 1902). Bulletins encouraged libraries to consider other types of books, including classic old books, extra copies of popular older books, replacement of worn out older books, and magazines ("suggestions", 1904).

Another noticeable change occurred in understanding of the total cost of a book. Prior to net pricing, librarians primarily focused on price when selecting materials (Bowerman, 1902). Net pricing increased discussion of a broader range of criteria known as the total cost of a book in deciding if a book price was a good price. Advice sources encouraged libraries to consider the quality of binding and paper, and the projected long term usage in deciding if the price was a good price ("Bulletins", 1904).

## 6. Discussions

### 6.1 Digital technologies and fragility of cultural commodities

Cultural commodities are "reproducible products with involvement of cultural workers in production" (Miège, 1979. p. 302). The "fragility" of cultural commodities refers to demand uncertainty brought about

by their nature as non-utilitarian objects, which stems from “a particular relationship to exhaustion and repeatability” (Straw, 2002, p. 158). In most cases, consumers of a cultural commodity will not buy an identical commodity multiple times, since the initial purchase allows them to enjoy a repeated experience.

The rise of electronic goods draws into question the degree to which e-books are fragile cultural commodities. We argue that digital technology allows publishers to reduce the fragility of library e-books by using the following two strategies.

#### (1) DRM

DRM-free e-books prohibit publishers from regulating libraries and their patrons' actions on the purchased e-books, which allows libraries to check out e-books for many times before the e-books become inaccessible without re-purchase. However, DRM provides an opportunity for publishers to enforce libraries' re-purchase of e-books by limiting libraries and their patrons' behaviors on purchased e-books. For instance, libraries might not be able to obtain an e-book from other libraries through ILL due to the DRM imposed on e-books, and thus, the only option for libraries is to buy this e-book by themselves.

#### (2) Licensing

Many publishers provide their library e-books through subscription, where e-books are only available for libraries during the subscription period. Once libraries cancel their subscriptions, then their patrons will lose access to these e-books, if the licenses do not contain perpetual access clauses. Therefore, licensing increases the number of times in which libraries must pay for licenses of e-books in order to enjoy repeated uses and support ongoing circulation of the e-books.

### 6.2 Pricing variables

Garnham (1987) claim that the price of single cultural commodity is unpredictable due to the uncertain demands of this product, so it is challenging for stakeholders to determine whether a certain price is appropriate or not. One possible way to approach the pricing of library books is to separate different variables in prices. Here we provide a summarizing list of pricing variables for print books and e-books sold to libraries.

For print books, the pricing variables include: 1) age of book; 2) genre of book; 3) version of book; 4) binding; 5) condition of book; and 6) paper quality. For e-books, the pricing variables include: 1) DRM; 2) concurrent users; 3) perpetual access; 4) age of book; 5) price of the print version; 6) loan cap; and 7) embargo or not.

### 6.3 Power and pricing

Christophers (2009) argued that power relations are the “genuine” reasons behind the pricing variables of cultural commodities (p. 204). Following Christophers, we argue that it is important to study how these stakeholders establish their powers over each other in terms of pricing library books. We analyze the strategies stakeholders adopt to gain more power over the others. Figure 1 provides an overview of these strategies, and we will not discussion them in detail due to the space limits.

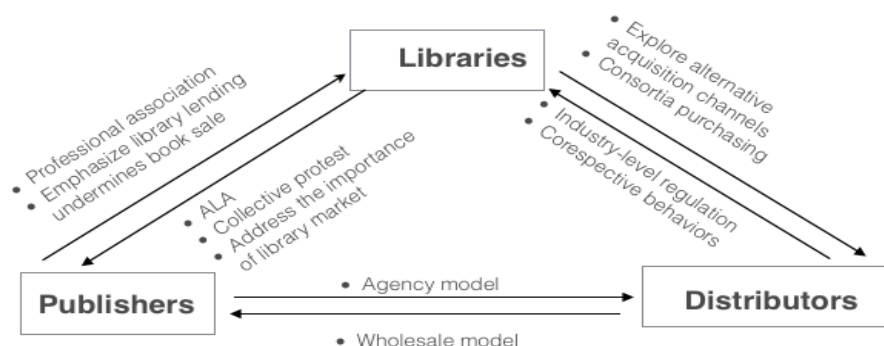


Figure 1: Strategies for publishers, distributors, and libraries to gain more power

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